

## Message Text

CONFIDENTIAL

PAGE 01 PEKING 00682 140314Z

65

ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 DODE-00 PM-04

H-02 L-03 NSC-05 PA-01 PRS-01 SS-15 USIA-06 FEA-01

AGR-05 /102 W

----- 056324

R 140150Z APR 76

FM USLO PEKING

TO SECSTATE WASHDC 5479

INFO USMISSION EC BRUSSELS

AMCONSUL HONG KONG

AMEMBASSY MOSCOW

AMEMBASSY TOKYO

AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY COPENHAGEN

AXWMBASSY PARIS 216

AMEMBASSY BRUSSELS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMEMBASSY DUBLIN

AMEMBASSY LUXEMBOURG

C O N F I D E N T I A L PEKING 0682

E.O. 11652: GDS

TAGS: PFOR ETRD EC CH

SUBJECT: EC-CHINA TRADE PROSPECTS

REF: (A) PEKING 171, (B) PEKING 202, (C) PEKING 228, (D) PEKING 253  
(E) PEKING 324, (F) PEKING 347 (NOTAL)

1. SUMMARY. PRC AMBASSADOR TO THE EC HUAN HSIANG  
WILL BE DEPARTING CHINA FOR BRUSSELS APRIL 27. DESPITE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 PEKING 00682 140314Z

PRC TARDINESS IN INITIATING NEGOTIATION OF AN EC-PRC

TRADE AGREEMENT, EC MISSIONS GENERALLY EXPECT TRADE WITH THE PRC IN 1976 TO RISE. THEIR OPTIMISM IS FOUNDED ON COMING DELIVERIES UNDER PAST CONTRACTS BUT ALSO TAKES NOTE OF EVIDENT PRC GOODWILL AND THEIR OWN TRADE PROMOTION ACTIVITIES. THEY HOPE TO GET A RELATIVELY LARGER SHARE OF CHINA'S TRADE, PRESUMABLY AT THE EXPENSE OF THE JAPANESE AND PERHAPS THE U.S. END SUMMARY.

2. BELGIAN EMBOFF HAS TOLD US THAT PRC AMBASSADOR TO THE EC, HUAN HSIANG, WILL BE LEAVING PEKING FOR BRUSSELS ON APRIL 27. (BELGIAN EMBOFF HAS PROVIDED US WITH BIOGRAPHICAL MATERIAL ON HUAN HSIANG, WHICH WE ARE POUCHING SEPARATELY TO EC BRUSSELS AND WASHINGTON.) HUAN'S DEPARTURE TO FILL THE EC SLOT COMES AS SOMETHING OF A RELIEF TO EC MISSIONS IN PEKING, WHO WERE CONCERNED BY THE NON-APPEARANCE OF THE PRC DELEGATION TO BRUSSELS THAT HAD BEEN EXPECTED TO BEGIN NEGOTIATION OF A PRC-EC TRADE AGREEMENT IN FEBRUARY. ACCREDITATION OF HUAN IS NOT EXPECTED TO RESULT IN RAPID MOVEMENT TOWARD A TRADE AGREEMENT, BUT IT IS WELCOMED AS A SIGN OF CONTINUED PRC COMMITMENT TO STRENGTHENED TIES WITH THE EC COUNTRIES.

3. THE ABSENCE OF A PERMANENTLY ACCREDITED AMBASSADOR WAS THE SINGLE FLAW IN THE ROSY PICTURE OF EXPANDING TRADE TIES DESCRIBED TO US IN RECENT MONTHS BY EC MISSIONS IN PEKING (REFTELS - NOTAL). MOST OF THESE COUNTRIES ENJOYED A GROWTH IN TRADE WITH THE PRC FROM 1974 TO 1975 (ITALY BEING THE ONLY EXCEPTION), AND ALL EXPECT CONTINUED GROWTH IN 1976, BARRING INTERFERENCE ARISING FROM PRC INTERNAL POLITICAL DISPUTES.

4. IN MOST CASES, THIS OPTIMISTIC VIEW IS FOUNDED ON CONTRACTS ALREADY SIGNED. THE FRENCH TRADE BALANCE WILL BE BOLSTERED BY MACHINERY TO BE DELIVERED FOR EIGHT WHOLE PLANTS NOW UNDER CONSTRUCTION. THE FRG WILL BE DELIVERING MACHINERY, PRINCIPALLY FOR THE WUHAN IRON AND STEEL ROLLING MILL, AND THE

CONFIDENTIAL

PAGE 03 PEKING 00682 140314Z

NETHERLANDS WILL BE MAKING DELIVERIES OF EQUIPMENT FOR THEIR KELLOGG CONTINENTAL PLANTS. AN ITALIAN FIRM SIGNED A DETERGENT PLANT CONTRACT (USING U.S. TECHNOLOGY) IN DECEMBER 1975, AND ADDITIONAL CONTRACTS OF THIS TYPE ARE EXPECTED. THE UK WILL HAVE SEVERAL YEARS OF SIGNIFICANT DELIVERIES UNDER THE RECENTLY SIGNED SPEY ENGINE/TECHNOLOGY CONTRACT.

5. EC COUNTRIES ARE MAKING EVERY EFFORT TO PROMOTE THEIR TRADE WITH THE PRC ON A PRIORITY BASIS. THE MANY PRIVATE DELEGATIONS, OFFICIAL VISITS AND EXHIBITIONS ANTICIPATED IN REFTELS HAVE SINCE TAKEN PLACE, RECEIVING APPROPRIATE HIGH-LEVEL ATTENTION FROM PRC GOVERNMENTAL AND TRADE OFFICIALS. THE CHINESE RESPONSE HAS FOR THE MOST PART BEEN FAVORABLE, THOUGH ONE MUST MAKE DUE ALLOWANCE FOR THE OCCASIONALLY GLACIAL PACE OF REACTION HERE.

6. THE EC AS A WHOLE HAD A SUBSTANTIAL SURPLUS IN TRADE WITH THE PRC IN 1975. THIS SURPLUS WILL PERSIST THROUGH 1976, EVEN THOUGH THE PRC IS ACTIVELY PROMOTING TRADITIONAL EXPORTS TO EUROPE IN AN ATTEMPT TO CLOSE THE GAP. MOST IMMEDIATELY, WANG YAO-T'ING, CHAIRMAN OF THE CHINA COUNCIL FOR THE PROMOTION OF INTERNATIONAL TRADE, WILL LEAVE FOR BRUSSELS APRIL 27 TO HEAD THE DELEGATION WHICH WILL OPEN THE CHINESE EXHIBITION AT THE BRUSSELS TRADE FAIR AND TO "STUDY THE BELGIAN ECONOMY."

7. PRC REPS ON VARIOUS OCCASIONS HAVE INDICATED AN INTEREST IN SELLING OIL, MINERALS, OR COAL TO WESTERN EUROPEAN COUNTRIES IN ORDER TO EVEN THE TRADE BALANCE SOMEWHAT. NONE OF THESE APPROACHES HAVE BORNE FRUIT AS YET, AND EC EMBASSIES HERE DO NOT REGARD THEM AS PROMISING.

8. THE OCCASIONAL ANTI-FOREIGN ELEMENTS IN THE CURRENT IDEOLOGICAL CAMPAIGN HAVE BEEN NOTED BY EC MISSIONS, BUT A CHANGE IN TRADE POLICY RESULTING IN THE STAGNATION OR CURTAILMENT OF PRC-EC TRADE IS NOT ANTICIPATED. THE BRUNT OF ANY RE-CONFIDENTIAL

CONFIDENTIAL

PAGE 04 PEKING 00682 140314Z

DUCTION IN PRC IMPORTS OF TECHNOLOGY, STEEL, MACHINERY, AND FERTILIZER IS EXPECTED TO BE BORNE BY THE JAPANESE BECAUSE OF THEIR HUGE SURPLUS IN 1975 AND THE FRICTION CAUSED BY THE DECREASE IN JAPANESE IMPORTS OF CHINESE SILK AND CRUDE OIL. BY THE SAME TOKEN, MARGINAL INCREASES IN PRC IMPORTS ARE EXPECTED TO BE DISTRIBUTED IN FAVOR OF EC COUNTRIES AND TO THE DISADVANTAGE OF THE U.S. AND JAPAN. THOMAS

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TRADE PROMOTION, CONSTRUCTION EQUIPMENT, TRADE VISITS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 APR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976PEKING00682  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D760140-0902  
**From:** PEKING  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760462/aaaacatq.tel  
**Line Count:** 163  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 PEKING 171, 76 PEKING 202, 76 PEKING 228, 76 PEKING 253  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 MAR 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 MAR 2004 by ShawDG>; APPROVED <31 MAR 2004 by GolinoFR>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EC-CHINA TRADE PROSPECTS  
**TAGS:** PFOR, ETRD, EC, CH, (HUAN HSIANG)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006